**NATIONAL ASSEMBLY**
**QUESTION FOR WRITTEN REPLY**
**QUESTION NUMBER: 3384 [NW3873E]**
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**3384. Mr M P Galo (AIC) to ask the Minister of Finance:**

(1) Whether the Government intends to use the contingency reserve to bail out underperforming state-owned entities; if so, what are the relevant details;

(2) whether any funds from the contingency reserve have been used before; if so, (a) what government programmes were targeted and (b) at what value;

(3) (a) what amount is the gross net amount in the contingency reserve and (b) does the National Revenue Fund and the contingency reserve fall under the same consolidated account of national Government?

NW3873E

**REPLY**:

1) The budget tabled in February provides for a contingency reserve for the three years of the medium term expenditure framework period. The contingency reserve is set aside, but not allocated in advance, to accommodate changes to the economic environment and to meet unforeseeable spending pressures. The contingency reserve for the outer years of the medium term expenditure framework period may also contain funds to effect policy priorities identified in subsequent budget processes which may include support for state-owned companies if the need arises.

   In the middle of each fiscal year, the adjustments process provides an opportunity to make permissible revisions to the budget, in response to changes that have affected the planned government spending for that year. The adjusted budget may allocate unused funds, mainly from the contingency reserve, declared unspent funds, provisional allocation for contingencies not assigned to votes and projected underspending to offset additions to spending in form of roll-overs, unforeseeable and unavoidable expenditure, self-financing expenditure as well as any announcements made by the Minister of Finance in the budget speech for which allocations are to be made in the adjustments budget and additional amounts that have been approved for particular types of spending, if that be the case.

2) Yes. The following adjustments were tabled for the 2018/19 financial year:
   Adjustments to vote appropriations amount to an increase of R12 063.2 million, of which:

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| • unforeseeable and unavoidable expenditure | R 668.6 million |
| • expenditure earmarked in the 2018 Budget speech for future allocation | R 9 687.9 million |
| • roll-overs | R 258.0 million |
| • self-financing expenditure | R 1 777.5 million |
| • declared unspent funds (reductions to vote allocations) | R-328.8 million |

Adjustments to estimates of direct charges against the National Revenue Fund amount to R1 372.7 million more than anticipated at the time of the budget, of which:

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|---|---|
| • debt-service costs | R 975.0 million |
| • National Revenue Fund payments | R 14.9 million |
| • skills levy and sector education and training authorities | R 382.8 million |

The adjustments to vote appropriations (R12.1 billion increase) and estimates of direct charges (R1.4 billion increase) are offset against the R6 billion provisional allocation for contingencies not assigned to votes and R8 billion contingency reserve set aside in the budget. In addition, the revised budget framework makes provision for approximately R2.7 billion in projected underspending at national government level, and R500 million in the local government repayment to the National Revenue Fund. The total estimated adjustments spending for 2018/19 thus decreases by R3.8 billion, from a budgeted R1 512.2 billion to a revised R1 508.4 billion.
The 2018 Adjusted Estimates of National Expenditure publication can be consulted for further information on each of the above adjustments.

3) (a) Over the 2019 MTEF R27billion has been set aside for the contingency reserve as follows

- 2019/20: R7 billion
- 2020/21: R8 billion
- 2021/22: R12 billion

b) The contingency reserve is part of the main budget fiscal framework